



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

August 10, 2017

Limited Internal Control and Compliance Review Management Report

Mark Gilbert, Executive Director
Mississippi Soil and Water Conservation Commission
680 Monroe St, Suite B
Jackson, MS 39202

Dear Mr. Gilbert:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Soil and Water Conservation Commission for the Fiscal Year 2016. In these findings, the Auditor's Office recommends the Mississippi Soil and Water Conservation Commission:

1. Strengthen controls over recording federal revenue draws;
2. Strengthen controls over asset deletions;
3. Comply with state laws and regulations over procuring contractual service agreements;
4. Ensure vendors are paid timely in accordance with state purchasing laws; and,
5. Comply with agency policies over commission meetings.

Please review the recommendations and submit a plan to implement them by August 24, 2017. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Soil and Water Conservation Commission to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Stephanie C. Palmertree".

Stephanie Palmertree, CPA, CGMA
Director, Financial and Compliance Audit
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Soil and Water Conservation Commission for the year ended June 30, 2016. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Kevin Cribbs, Justin Reulet and Vincent Steiner.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above. However we identified certain deficiencies in internal control over financial reporting that we consider to be *significant deficiencies* in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCIES

Finding: Controls over Recording Federal Revenue Draws Should Be Strengthened

Executive Summary: Instances were noted in which federal revenue draws were not recorded to the agency's funds in the Mississippi Accountability System for Government Information and Collaboration (MAGIC) until months after the money was received at the state treasury. Federal revenue cannot be expended until it is recorded in MAGIC and thus available to pay the obligations of the federal program; therefore, it is imperative to record federal revenue as soon as it is received by the state treasury.

Recommendation: We recommend the Mississippi Soil and Water Conservation Commission strengthen controls over recording federal revenue. Federal revenue draws should be recorded timely in MAGIC as soon as received by the state treasury.

Finding Detail: During our review of 10 federal revenue draws at the Mississippi Soil and Water Conservation Commission, we noted two transactions totaling \$55,400 were not recorded timely to the credit of the agency's funds in MAGIC, the state general ledger system. The range of time from receipt of the draws at the state treasury to recording the transactions in MAGIC was up to 66 business days.

Good internal controls require revenue transactions to be timely recorded in the agency's MAGIC funds in order to accurately reflect the agency's financial position. In addition, federal money should be dispersed in a timely manner after receiving the funds in order to properly carry out the mission of the federal program.

The untimely recording of federal revenue draws into MAGIC results in the funds not being timely dispersed to pay for the obligations of the federal program.

Finding: Controls over Asset Deletions Should Be Strengthened

Executive Summary: Multiple instances were noted in which the agency had no documentation on file to denote management's approval asset deletions. Good internal controls require administrative personnel approval prior to the disposal of agency assets.

Recommendation: We recommend the Mississippi Soil and Water Conservation Commission strengthen controls over transactions and records related to the deletion of capital assets. Asset deletions should be properly approved and documented.

Finding Detail: During review of capital assets at the Mississippi Soil and Water Conservation Commission during fiscal year 2016, we noted four of the five asset deletions tested totaling \$90,943 were not properly authorized by agency personnel. Failure to obtain management's approval before assets are transferred out could result in assets being misplaced or misappropriated.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding: Agency Should Comply with State Laws and Regulations over the Procurement of Contractual Service Agreements

Executive Summary: The Mississippi Soil and Water Conservation Commission awarded multiple small purchase contracts, defined as contracts greater than \$50,000 and not exceeding \$75,000, without obtaining at least three written solicitations as required by state procurement regulations. In addition, the agency did not maintain any documentation to support the procurement of these contracts.

Recommendation: We recommend the Mississippi Soil and Water Conservation Commission ensure compliance with state procurement laws. Contractual service agreements should be properly solicited in accordance with Public Service Contract Review Board (PSCRB) *Rules and Regulations* and supporting documentation for the procurements should be maintained on file.

Finding Detail: During our review of contractual service expenditures at the Mississippi Soil and Water Conservation Commission, we noted the agency entered into two contracts for \$74,555 and \$73,775 during fiscal year 2016, just under the \$75,000 threshold above which requires direct approval by the Public Service Contract Review Board (PSCRB). For both contracts, the agency did not obtain three written bids, quotes or proposals or maintain any procurement documentation on file.

Section 25-9-120(3)(a), Miss. Code Ann. (1972) authorizes the PSCRB to promulgate rules and regulations governing the solicitation and selection of contractual services personnel. Section 3-205.02 of PSCRB's *Rules and Regulations* manual requires small purchases of services greater than \$50,000 and not exceeding \$75,000 to be awarded to the vendor offering the lowest and best quote after no less than three (3) sources have been solicited in writing. The written solicitations must be recorded and placed in the agency's procurement file. In the event three written responses are not obtained, the agency shall include a memo to the procurement file explaining why this was not accomplished.

Failure to follow PSCRB *Rules and Regulations* could result in contractual agreements that are not the most affordable or the best available option to accept.

Finding: Vendors Should Be Paid Timely in Accordance with State Purchasing Laws

Executive Summary: Multiple instances were noted in which payments to vendors were not made timely. State law dictates a specified time period for timely payment of state obligations.

Recommendation: We recommend the Mississippi Soil and Water Conservation Commission ensure vendors are paid timely in accordance with state purchasing laws.

Finding Detail: During our review of 10 commodities expenditures, we noted four instances in which payment requests were not made to the Department of Finance and Administration within 30 days.

Section 31-7-303, Miss. Code Ann. (1972) requires payment requests to be filed with the Department of Finance and Administration (DFA) within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods or services. Within the Mississippi Accountability System for Government Information and Collaboration (MAGIC), payment requests are filed with DFA when an agency releases the payment in MAGIC which routes the payment request to DFA for approval via electronic workflow.

Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges.

Finding: Agency Should Comply with Policies over Commission Meetings

Executive Summary: The Mississippi Soil and Water Commission did not hold a commission meeting during a quarter of fiscal year 2016. The agency's policies require the commission to meet quarterly.

Recommendation: We recommend the Mississippi Soil and Water Conservation Commission ensure compliance with agency policies over commission meetings. Commission meetings should be held on a quarterly basis.

Finding Detail: During our review of the agency's commission minutes, we noted the Mississippi Soil and Water Conservation Commission did not hold a commission meeting during the second quarter of fiscal year 2016, October through December of 2015.

Section 69-27-3(3), Miss. Code Ann. (1972) states the commission shall keep a record of its official actions and promulgate rules and regulations as may be necessary for the execution of its functions. Rule 1.6(A) of the Mississippi Soil and Water Conservation Commission's administration policies and procedures states the commission will meet on a quarterly basis.

Failure to hold quarterly commission meetings impedes the ability of the agency to operate effectively with proper oversight and guidance.

End of Report